MOOSE LAKE LOGGERS LTD.

ANNUAL REPORT

1982-83

MOOSE LAKE LOGGERS LTD.

BOARD OF DIRECTORS

J. Christensen
President, Swan Equipment Ltd.

F. G. Marvin
President, Spruce Products Ltd.

H. Holmgren
President, E. Holmgren & Sons

R. Grey
Foreman, Moose Lake Loggers Ltd.

H. Boyle
Regional Manager, Department of Natural Resources

L. Easter
Band Member, Moose Lake Indian Band

J. Martin
Welder, Moose Lake Community

J. Mercredi
Logger, Moose Lake Loggers Ltd.

G. P.Trithart
Director, Corporate Projects, Department of Northern Affairs

OFFICERS

J. Christensen
President

R. J. Kivisto
General Manager

G. P. Tritnart
Secretary/Treasurer

HEAD OFFICE. Moose Lake, Manitoba

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ANNUAL REPORT - MOOSE LAKE LOGGERS LTD
APRIL 1, 1982 - MARCH 31, 1983

I. INTRODUCTION

Moose Lake Loggers Ltd. is a Crown Corporation which was formed in 1971 under the authority of the Manitoba Natural Resources Development Act for the purpose of estasblishing an economically viable logging operation providing employment for residents of Moose Lake and surrounding areas. The Corporation also has a mandate to train local residents to fill the jobs created, with the ultimate goal being management by local residents.

The Company uses skidders to harvest sawlogs and pulpwood for sale to Manitoba Forestry Resources Ltd. in The Pas. Most of the Company's employees are native people from Moose Lake, Manitoba, a community located near valuable forestry resources but with a traditionally serious lack of employment opportunities.

II. MAJOR DEVELOPMENTS

Following six years of continuous losses to March 31, 1977 (the accumulated total of which was $551,000), the Company has experienced profits in four of the last six years of operation as follows.

Year Ending March 31st.	Profit (Loss)
1983	$ 1,029
1982	(98,286)
1981	127,544
1980	(18,306)
1979	54,420
1978	52,994

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Despite the many operational problems which have been encountered over the past six years, the Company is encouraged with its performance since it is no longer dependent on Government subsidy.

Credit for the improved performance must be attributed to the General Manager, Mr. Reino Kivisto, and his staff who have worked tirelessly with the Company's Board of Directors and the community of Moose Lake. The people of Moose Lake have also genuinely participated in the Company's success through their representation on the Board of Directors, the support provided by their elected leaders, and most importantly, the hard work of the Company's employees from Moose Lake.

During fiscal year 1982/83, a computerized bookkeeping system was instituted. This provided a means by which management could quickly compare actual results against projections, thus allowing prompt corrective action to be taken. Prior to this system being implemented, statements were only available quarterly.

World markets in the pulp, paper and lumber industries resulted in limitations on the Company's sales of pulpwood. As a result, this is the second consecutive year in which the Company was producing below capacity.

Production now originates from twenty seven owner/operated machines, of which twenty are owned by Indian entrepreneurs from the area. Owner/operators (an operational objective of the Company) are individuals who own and operate their own skidder utilizing a two/three man crew. Once a local resident has developed the necessary skills and demonstrated a willingness to be a steady employee, the Company encourages nim/her to become an owner/operator.

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III. REVIEW OF RESULTS

A. Financial Results

Appended to this report are the Provincial Auditor's audited financial statements for the year ended March 31, 1983. These statements report a profit of $1,029 for 1982/83 compared to a loss of $98,286 for the previous year. This is particularly gratifying since the results illustrate the efforts of the General Manager and his staff in controlling and reducing costs. The following figures demonstrate major variances from budget:

Category	Actual	Budget	Gain/(Loss)
Other Wages	$ 60,329	$ 91,692	$ 31,363
Rigging	19,793	28,866	9,073
Yard and Camp	87,119	75,972	(11,147)
Freighting	19,442	27,218	7,774
Power Plant	78,354	56,205	(22,149)
Supervision	99,908	123,170	23,262
Administration Travel	10,771	14,605	3,834
Bank Loan Interest	3,521	20,000	16,479

The improved financial position over fiscal year 1981/82 is due to the cost saving measures implemented by management. These savings were achieved in spite of consecutive production cut backs over the past two years of 16,032 and 8,521 cords respectively. Manitoba Forestry Resources Ltd. is the sole market for the Company and their depressed market for paper and lumber sales resulted in contract cut backs.

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The following table provides key results of the Company for the last eight fiscal years:

Year Ending March 31st	Production Revenue	Wages & Fringe Benefits	Owner/Operator Rentals	Employment
1983	$ 2,782,529	$ 1,658,611	$ 549,773	68
1982	2,587,539	1,662,882	563,575	67
1981	2,809,289	1,689,121	587,374	68
1980	2,077,031	1,343,031	396,453	59
1979	1,952,382	1,262,000	319,779	57
1978	1,943,545	1,285,000	214,663	58
1977	881,830	745,000	68,052	42
1976	649,758	518,000	24,539	34

B. Production

Production in fiscal year 1982/83 was 57,011 cords, a reduction of 8,521 cords from the previous year. This reduction was a direct result of reduced Manitoba Forestry Resources Ltd. which necessitated a shutdown of operations for fifteen weeks, including the traditional 12 day break at Christmas.

A comparison of annual production, in cords, for the last eight years is provided in the following table:

Year Ending March 31st.	Company Skidders	Owner/ Operators	Total
1983	-	57,011	57,011
1982	-	65,532	65,532
1981	-	81,564	81,564
1980	-	68,034	68,034
1979	14,989	51,167	66,606
1978	21,450	39,540	60,990
1977	24,960	6,770	31,730
1976	20,150	4,790	24,940

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This is the fourth consecutive year in which 100% of the Corporation's pulpwood production came from owner/operators. The Company's objective of converting from Company owned machines to skidder owner/operators has resulted in increased production capabilities. Some 74% (20 of 27 skidders) of these machines are now owned and operated by local native residents of the area.

Abseentism remains the major problem affecting production and still demands a considerable amount of supervision.

C. Other Benefits

Employment remained relatively constant at 68 employees for fiscal year 1982/83 with a majority (some 80%) of those employed being native residents of Moose Lake and other communities in the region. There is little or no alternate employment in most of these communities, except for traditional commercial fishing and trapping which is seasonal at best. Included in the 68 employees are 54 piece workers, 7 hourly and 7 salaried staff. It is interesting to note that the average annual salary exceeded $24,000 over the past three years, in spite of lengthy shut-downs in each of the past two years.

The Company maintains a store facility which provides a variety of clothing, confectionary items and saw parts for employees. Goods and services for owner/operators are also ordered on their behalf, but some owner/operators have developed to the stage where they operate quite independently from the Company.

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D. Training

The Company continues to provide on the job training. This training has produced the following favourable results.

	Total Staff		Native Staff	
	1982/83	1981/82	1982/83	1981/82
Office	3	3	2	2
Foreman	3	3 *	3 *	2
Kitchen and Dorms	7	7	7	7

* One part-time

MANITOBA

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

MOOSE LAKE LOGGERS LTD.

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the balance sheet of Moose Lake Loggers Ltd. as at March 31, 1983 and the statements of retained earnings, revenues and expenditures, changes in financial position, and the schedule of operating expenditures for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of Moose Lake Loggers Ltd. as at March 31, 1983 and the results of its operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change as shown in Note 5, on a basis consistent with that of the preceding year.

W. K. Ziprick, C.A.,
Provincial Auditor.

July 26, 1983,
Winnipeg, Manitoba.

Exhibit A

MOOSE LAKE LOGGERS LTD.

Balance Sheet
as at March 31, 1983
(with 1982 figures for comparison

ASSETS

	1983	1982
Current assets:		
Cash on hand and in bank	$ -	$ 41,420
Accounts receivable:		
Trade	310,677	33,041
Employees	5,581	8,282
Province of Manitoba	2,882	-
	319,140	41,323
Loans receivable from sub-contractors re purchase of equipment - secured	-	2,101
- unsecured	80,983	73,332
Inventories, at cost	44,743	57,954
Prepaid expenses	2,680	2,630
Total current assets	447,546	218,760
Fixed assets, at cost: (Note 5)		
Buildings and trailers	507,493	508,257
Less accumulated depreciation	173,427	101,516
	334,066	406,741
Equipment	197,755	204,090
Less accumulated depreciation	124,631	100,332
	73,124	103,758
Other assets, at cost: (Note 5)		
Campsite improvements	115,986	111,346
Less accumulated amortization	32,906	6,797
	83,080	104,549
Main road construction	235,321	235,321
Less grants received	156,000	156,000
	79,321	79,321
Less accumulated amortization	54,512	48,805
	24,809	30,516
Total fixed and other assets	515,079	645,564
	$ 962,625	$ 864,324

Approved by the Board:

Director _____

Director _____

LIABILITIES AND SHAREHOLDERS' EQUITY

	1983	1982
Current liabilities:		
Bank overdraft	$ 112,562	$ -
Bank demand loan (Note 2)	-	10,000
Accounts payable and accrued liabilities:		
Trade	41,463	20,703
Province of Manitoba	3,236	-
Wage deductions	65,137	19,429
Employees	10,268	14,276
	120,104	54,408
Total current liabilities	232,666	64,408
Conditional sales agreement (secured) (Note 6)	274,472	345,458
Total liabilities	507,138	409,866
Shareholders' equity:		
Capital stock (Note 3):		
Authorized - 35,000 common shares for a maximum consideration of $350,000		
Issued and fully paid - 30,009 common shares	300,090	300,090
Contributed surplus:		
Grant from the Government of Canada towards capital expenditures	5,720	5,720
Retained earnings, Exhibit B	149,677	148,648
Total shareholders' equity	455,487	454,458
	$ 962,625	$ 864,324

Exhibit B

MOOSE LAKE LOGGERS LTD.

Statement of Retained Earnings
for the year ended March 31, 1983
(with 1982 figures for comparison)

	1983	1982
Balance, beginning of year	$ 148,648	$ 246,934
Less: Excess of revenues over expenditures, Exhibit C	1,029	(98,286)
Balance, end of year, Exhibit A	$ 149,677	$ 148,648

Exhibit C

MOOSE LAKE LOGGERS LTD.

Statement of Revenues and Expenditures
for the year ended March 31, 1983
(with 1982 figures for comparison)

	1983	1982
Revenues:		
Log cutting contracts - Manitoba Forestry Resources Ltd.	$ 2,782,529	$ 2,587,539
Commissary sales	219,507	212,989
Board charges	44,352	46,638
Road maintenance	30,257	34,571
Interest income	8,384	11,839
Accounting service fees	4,250	3,650
Equipment service fees	-	3,161
Trainee reimbrusement	1,700	2,190
Equipment rental	3,165	-
Miscellaneous	3,030	7,445
	3,097,174	2,910,022
Expenditures, Exhibit E:		
Log cutting contracts	1,973,522	2,033,538
Camp operations	885,704	773,276
General and administrative	236,919	201,494
	3,096,145	3,008,308
Excess of revenues over expenditures, Exhibit B	$ 1,029	$ (98,286)

Exhibit D

MOOSE LAKE LOGGERS LTD.

Statement of Changes in Financial Position
for the year ended March 31, 1983
(with 1982 figures for comparison)

	1983	1982
Source of funds:		
Operations:		
Excess of revenues over expenditures	$ 1,029	$ (98,286)
Add: Charges not involving an outlay of funds - depreciation and amortization	136,288	102,007
	137,317	3,721
Loss on sale of fixed assets	2,780	1,580
	140,097	5,301
Proceeds from conditional sales agreement	-	356,284
Proceeds from sale of fixed assets	3,037	45,630
	143,134	407,215
Use of funds:		
Purchase of fixed and other assets	11,620	500,968
Conditional sales agreement	70,986	10,826
	82,606	511,794
Increase (decrease) in working capital	$ 60,528	$(104,579)

MOOSE LAKE LOGGERS LTD.

Schedule of Operating Expenditures
for the year ended March 31, 1983
(with 1982 figures for comparison)

	1983	1982
Log cutting contracts:		
Wages and benefits	$ 1,300,028	$ 1,321,795
Equipment rental	549,773	563,575
Fuel and oil	80,624	91,348
Repairs and maintenance	23,934	39,499
Miscellaneous supplies	12,860	10,736
Depreciation	4,546	5,321
Insurance	572	778
Travel	1,185	486
	1,973,522	2,033,538
Camp operations:		
Wages and benefits	214,330	202,304
Provisions	116,338	113,533
Depreciation	109,084	77,242
Fuel and oil	93,432	71,454
Repairs and maintenance	70,800	51,082
Interest on conditional sales agreeement (Note 6)	45,426	27,476
Equipment rental	16,461	11,705
Insurance	7,671	6,605
Freight	7,146	2,722
Amortization - main road	5,708	10,087
Travel	-	2,681
Commissary:		
Purchases	198,164	195,657
Add: Opening inventory, at cost	15,943	16,671
Deduct: Closing inventory, at cost	(14,799)	(15,943)
	199,308	196,385
	885,704	773,276
Carried forward	$ 2,859,226	$ 2,806,814

MOOSE LAKE LOGGERS LTD.

Schedule of Operating Expenditures
for the year ended March 31, 1983
(with 1982 figures for comparison)

	1983	1982
Brought forward	$ 2,859,226	$ 2,806,814
General and administrative:		
Wages and employee benefits	140,140	134,138
Health and post secondary education tax levy	17,998	-
Professional fees	17,222	11,128
Depreciation	16,950	9,358
Travel	10,772	12,754
Fuel and oil	6,578	5,918
Communications	4,592	4,349
Profit sharing plan	4,200	-
Directors' fees and salaries	4,113	4,645
Stationery and supplies	3,984	2,068
Loss on sale of fixed assets	2,780	1,580
Insurance	2,191	2,734
Directors' travel	1,957	3,072
Miscellaneous	1,731	2,085
Repairs and maintenance	1,354	1,304
Bad debt expense	357	5,000
Corporation capital tax	-	1,361
	236,919	201,494
Total expenditures, Exhibit C	$ 3,096,145	$ 3,008,308

MOOSE LAKE LOGGERS LTD.

Notes to Financial Statements
for the year ended March 31, 1983

1. Accounting Policies

The accounting policies of the company are in accordance with generally accepted accounting principles and their basis of application, except as explained in note 5, is consistent with that of the preceding year.

Fixed assets:
Fixed assets are stated at cost. It is the company's policy to provide for depreciation and amortization of fixed assets on the basis shown in note 5.

Revenue recognition:
Pulpwood sales are recognized on the basis of pulpwood delivered to roadside and scaled in accordance with the terms of the sales contract.

2. Bank Loan

The bank loan is guaranteed by the Province of Manitoba to a maximum of $500,000 including unpaid interest thereon. The interest on the loan is at the prime bank rate.

3. Capital Stock

The issued shares are held by the Province of Manitoba except for nine shares which are held by the appointed directors in trust for Her Majesty the Queen in right of the Province of Manitoba.

4. Services Provided by the Province

The Province of Manitoba provides the services of the Secretary-Treasurer and other miscellaneous administrative services at no charge to the Company. The Province also provides Workers Compensation coverage for Company staff at no charge to the Company.

5. Fixed Assets

The Company depreciates its fixed assets and amortizes its other assets on the following basis:

	Annual Rate
A) Depreciation	
a) Straight line	
Buildings	10-33 1/3%
Trailers	15-33 1/3%
Equipment	20-33 1/3%
b) Diminishing balance	
Trucks	30%

MOOSE LAKE LOGGERS LTD.

Notes to Financial Statements
for the year ended March 31, 1983

5. Fixed Assets (continued)

	Annual Rate
B) Amortization	
a) Straight line	
Campsite improvements	12 1/2 - 33 1/3%
b) Other	
Main road construction	10 cents per cord sold

During the year ended March 31, 1982, effective September 1, 1981, the Company changed its method of amortizing the main road construction from a straight line basis to the quantitative basis shown above. If this change had been in effect for the entire year ended March 31, 1982 the road amortization expense would have been $6,553 instead of $10,087.

6. Conditional Sales Agreement

The conditional sales agreement reflects the amount owing on the purchase of the Talbot Lake camp from Manitoba Forestry Resources Ltd., a company wholly-owned by the Province of Manitoba. The principal and interest, at the prime rate charged monthly by Manitoba Forestry Resources Ltd., is repayable over eight years with the final payment due October 1, 1989. The yearly repayment is based on an allowance per cord sold.